FIRST SET OF DOCUMENT AND INFORMATION REQUESTS OF
THE DEPARTMENT OF COMMUNICATIONS AND ENERGY TO
BOSTON GAS COMPANY, COLONIAL GAS COMPANY AND ESSEX GAS COMPANY
D/B/A KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 04-62

Respondent: Elizabeth Danehy Arangio

Information Request DTE 1-30

Q. Refer to Exhibit KED/AEL-1, Page 7.

(a) Explain the method used to impute "a blended cost representing the mix of marginal resources available to the system" that KeySpan used to serve companies whose requirements exceed their contract entitlements. Provide all data, worksheets, and assumptions used in the imputation.

(b) Define the term "marginal resources" as used here.

A. (a) Just as the Company purchases gas supply for all three of the LDCs in the aggregate, the Company begins its forecast of the commodity price component of the CGAs by modeling gas supply purchases in the aggregate. The per-unit price of pipeline supplies, underground storage supplies and supplemental supplies are generally the same for each of the three service areas. Thus, the Company develops the commodity cost for each company by taking the system-wide commodity cost for each type of resource (i.e., transportation, underground storage and peaking resources) and applying it to the contractual entitlements held in each company's name. In modeling the most cost-effective use of the overall KeySpan portfolio of supplies to meet customer demand, one or more of the individual companies may not hold contract entitlements equal to the amount of gas forecast to meet the company's sendout requirements. The Company's present methodology is to then reallocate gas supplies by contract holder to meet the customer demand of the contract holder in a least-cost fashion until supply and demand meet. Any residual supplies are then assigned to a pool of marginal resources that are used to meet any residual demand for any company that may have had total utilized resources less than its customer demand. This pool of marginal resources is allocated on a blended-cost basis.

(b) Marginal resources, as described in (a) above, are the higher-cost resources of a company's portfolio that are in excess of that company's requirements, which were utilized to provide a forecast of an overall least-cost set of supplies to the KeySpan customers.